

PARITY FOR PUERTO RICO MEMORANDUM OF AGREEMENT

Governor Luis G. Fortuño has brought together the undersigned stakeholders in the health care system of Puerto Rico to agree on a common position to present to policymakers in Washington as they debate national health care reform.

We start from a basic proposition. Puerto Rico must be brought into the health care system on an equal basis with every other American jurisdiction. In addition to the clear moral problems inherent in a health care system that treats the U.S. citizens of Puerto Rico in less-than-equal fashion, it makes no sense from a strictly policy perspective to have a system where the same U.S. citizens who receive health care impaired by lesser federal funding while residing in Puerto Rico can access better-funded care merely by moving to the States.

The implementation of our shared objective begins with the federal programs that are likely to serve as the foundation for health care reform—Medicaid, Medicare, and the Children's Health Insurance Program (CHIP)—and that have been applied to Puerto Rico in an inequitable manner as compared to the States, the District of Columbia, and, in some cases, other territories.

President Obama has pledged to include Puerto Rico in health care reform and to end inequalities in the treatment of Puerto Rico under these aforementioned programs. We, the undersigned, have a common purpose: to advocate for an end to the disparities discussed below as the starting point for implementing health care reform in Puerto Rico:

* * *

* **Medicaid:** Federal funding for Medicaid in Puerto Rico is unequal in two respects. First, the federal share of the cost of the Island's Medicaid program (FMAP) is limited by statute to 50%, whereas it would be up to 83% in a State with Puerto Rico's per capita income level. But Puerto Rico does not receive even this reduced federal share. Rather, an absolute dollar cap on annual federal funding for Puerto Rico's Medicaid program means the Island's effective FMAP is approximately 17% (increased temporarily to about 22% under the recently enacted American Recovery and Reinvestment Act). This requires the Government of Puerto Rico to pay the same percentage share—83%—that the federal government would pay in a similarly-situated State. It also prevents the Government of Puerto Rico from being able to provide equal Medicaid services. Puerto Rico has 4.5% of the Nation's population under the poverty level but receives just 0.13% of Medicaid funds.

* **Medicare:** Residents and healthcare providers in Puerto Rico are unequally treated under Medicare in four respects. (1) Residents of Puerto Rico are not automatically enrolled in Part B, which pays for doctor and other outpatient services. (2) Island hospitals do not receive fair Disproportionate Share Hospital (DSH) payments for serving low-income patients because the Supplemental Security Income program has not been extended to Puerto Rico and the number of SSI recipients is a major factor in the calculation of DSH payments. (3) The Government of Puerto Rico receives limited block grant funding for Part D prescription drug benefits for Medicaid beneficiaries, rather than funding based on the need for medicine. (4) Payments for in-patient hospital services are significantly lower than the reimbursement rates that apply in all other U.S. jurisdictions.

* **Medicare Advantage:** The inequalities facing residents of Puerto Rico have

naturally resulted in a high percentage of these residents enrolling in Medicare Advantage plans. Consequently, reform of the Medicare Advantage program will have a disproportionate impact in Puerto Rico. Any changes, thus, must be addressed in the same-terms and conditions in Puerto Rico as the rest of the nation.

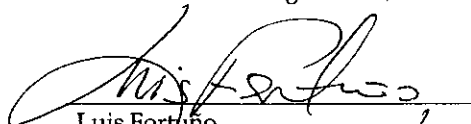
* **CHIP:** CHIP funding in Puerto Rico is unequal because the program's basic funding is granted on a limited set-aside basis rather than based on the number of low-income children.

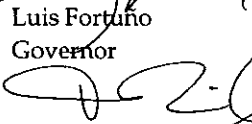
* * *

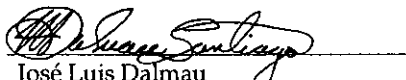
The national goal of health care reform—equal access to quality care for all Americans wherever they happen to reside—cannot be achieved unless and until the four million U.S. citizens in Puerto Rico are treated equally under all federal health care programs.

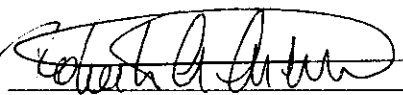
For these reasons, the Government of Puerto Rico and the undersigned have come together to urge the Congress to work with President Barack Obama to end the current disparities in the treatment of Puerto Rico in the health care system by bringing Puerto Rico and its residents into full participation in the Medicaid, Medicare, and CHIP programs as part of health care reform. By working together, we hope to achieve this goal this year.

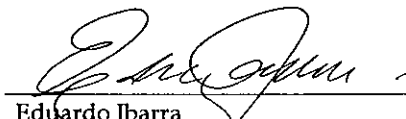
In support of our position, the representatives of each of the stakeholders execute this Memorandum of Agreement, in San Juan, Puerto Rico, on April 16, 2009.

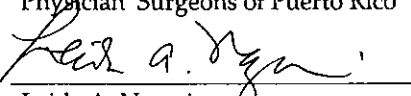

Luis Fortuño
Governor

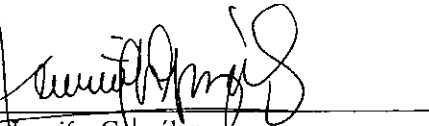

Thomas Rivera Schatz
President of Senate

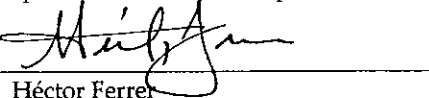

José Luis Dalmau
Puerto Rico Senate Minority Leader

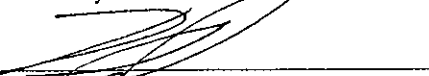

Roberto Arango
Puerto Rico Senate Majority Leader



Eduardo Ibarra
President of the College of
Physician Surgeons of Puerto Rico

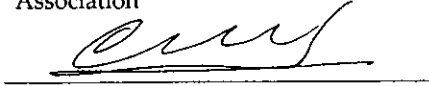

Leida A. Nazario


Jennifer González
Speaker of the House of Representatives


Héctor Ferrer
Puerto Rico House of Representatives
Minority Leader


Rolando Crespo
Puerto Rico House of Representatives
Majority Leader


Jaime Plá
President of the Puerto Rico Hospital
Association


Carlos Carrión

Vice-President of Primary Health
Association of Puerto Rico



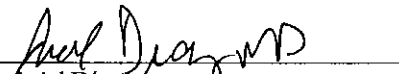
José Acarón
Executive Director for AARP -
Puerto Rico



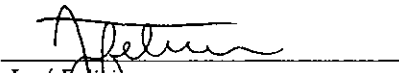
José Carlo
Chancellor of the Medical Sciences
Campus of the University of Puerto Rico



Rolance Chavier Roper
President of Puerto Rico Medical
Association



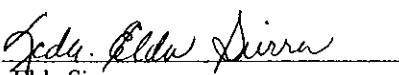
Ariel Díaz
Executive Director for Academy of
Family Physicians



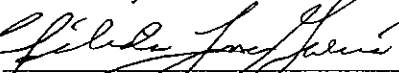
José Feliciano
President of College of Health
Services Administrators



María de Lourdes de León
President of Home Health &
Hospice Association



Eida Sierra
President of Association of
Community Pharmacists

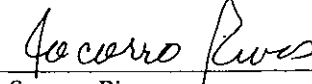


Nérida Luna García
Executive Committee Member for
College of Pharmacists

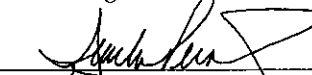


Milagros González
President of College of
Technological Medicine

President of IPA Association of Puerto
Rico



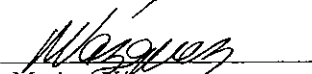
Socorro Rivas
Vice-President of Medicaid Medicare
Advantage Plans Association



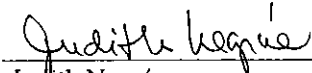
Iraelia Pernas, Esq.
President of the Puerto Rico Insurers
Association



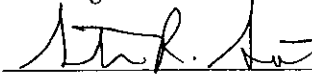
Noel J. Aymat
President of the College of Dental
Surgeons of Puerto Rico



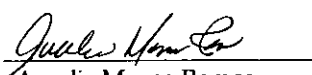
Maritza Vázquez
Executive Director for Academy of
Medical Directors



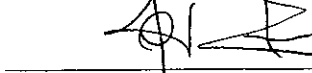
Judith Negrón
Executive Director for College of
Nursing Professionals



Steve Soto
Second Vice-President of Coopharma
- Puerto Rican Pharmacy Cooperative



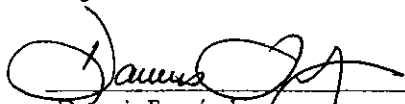
Aurelia Manso Ramos
President of Practical Nurses
Association



Juan C. Hernández López de Victoria
President of Puerto Rican Association
of Owners of Private Clinical
Laboratories



Néstor J. Galarza
President of American Psychiatric
Association Puerto Rico Chapter



Daneris Fernández
President of Pharmaceutical
Industry Association